

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

ITC Holdings Corp.)	
ITC Holdings Limited Partnership)	
DTE Energy Company)	Docket Nos. EC03 -40-000
International Transmission Company)	and ER03 -343-000
The Detroit Edison Company)	

**NOTICE OF INTERVENTION AND COMMENTS OF THE STATE OF MICHIGAN
AND THE MICHIGAN PUBLIC SERVICE COMMISSION**

Pursuant to Rules 212 and 214 of the Commission's Rules of Practice and Procedure, the State of Michigan and the Michigan Public Service Commission (collectively "Michigan") hereby files a motion to intervene, a notice of intervention and comments in the above-captioned proceeding. In support of its intervention, Michigan states the following.

I. Communications

1. Copies of all pleadings and correspondence in the proceedings should be addressed to:

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II. Basis for Intervention

2. The MPSC is an agency of the State of Michigan, created by 1939 Pub. Acts 3, Michigan Comp. Laws Ann. § 460.1 *et seq.*, as the Michigan regulatory agency having jurisdiction and authority to control and regulate, rates, charges, and conditions of service for the retail sale of

electricity in the State. The MPSC intervenes in this matter pursuant to the authority conferred by applicable state statutes, rules, and procedures.

3. Michigan is a sovereign state of the United States and intervenes in its *parens patriae* capacity to preserve and protect the health, safety and welfare of its citizens; and in its proprietary capacity as a substantial purchaser of electricity.

4. The State of Michigan submits that through its intervention in this proceeding it will represent interests that cannot be adequately represented by any other party and that its participation herein will be in the public interest.

III. Description of Filing

5. On December 24, 2002, ITCHoldings Corp. ("ITCHoldings"), ITCHoldings Limited Partnership, International Transmission Company ("International Transmission"), DTE Energy, Inc. ("DTE Energy"), and The Detroit Edison Company ("Detroit Edison") (collectively "Applicants") submitted a joint application pursuant to Section 203 of the Federal Power Act ("FPA") seeking authority for DTE Energy to sell all of the outstanding capital stock of International Transmission to ITCHoldings.

6. In addition, pursuant to FPA Section 205 and Part 35 of the Commission's regulations, Applicants tendered for filing (i) proposed rates for International Transmission as an independent transmission company and (ii) certain operating and interconnection agreements between International Transmission and Detroit Edison. As a result of the transaction, International Transmission will be a truly independent transmission company and will be independent from all generation and market participant.

IV. Comments

7. By the instant filing, Applicants are agreeing to freeze their transmission rates at a level of \$1.075/kW/month from the closing date until December 31, 2005. This rate level is the "last clean rate" for the International Transmission pricing zone that was in effect under Attachment O between January 1, 2002 and May 31, 2002. During the rate freeze period, International Transmission will be permitted to calculate the rates that could have been charged under Attachment O, using the most recent Form 1 data inputs, and to treat as a deferred cost the difference between the amount of revenue recovered at the \$1.075/kW/month rate and the amount that would have been recovered under the Attachment O rates. Applicants propose that International Transmission be permitted to charge rates effective January 1, 2006, that include the recovery of the Attachment O Deferral, amortized equally as a recoverable expense in rates over five years.

8. Applicants request approval of the proposed transmission rates as "just and reasonable."¹ Michigan does not object to Commission approval of the proposed \$1.075/kW/month rate as the just and reasonable rate from the Closing Date through December 31, 2005. While Michigan is supportive of this filing, Michigan seeks clarification that there has been no determination that the costs incurred during the rate freeze period and accrued in the Attachment O are just and reasonable. To the contrary, Michigan retains all rights to challenge the data inputs and the prudence of expenditures during the rate freeze period to the extent such expenditures are reflected in the Attachment O Deferral accrued during the rate freeze period.²

Challenges to such data inputs and the prudence of any such costs can be made at any time up to

¹ Application at 67.

² Michigan notes that while the rights of Seller and its affiliate to challenge the reasonableness of International Transmission's costs are limited to amounts that exceed certain threshold levels, such limitations or prudence

and including the period that Attachment O Deferrals are being amortized and recorded in rates commencing January 1, 2006 through December 31, 2011.

Respectfully submitted,

**STATE OF MICHIGAN AND THE MICHIGAN PUBLIC
SERVICE COMMISSION**

By their attorneys:

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challenges do not apply to any other party. Based on this understanding, Michigan does not object to Applicant's request for transmission rate approvals as set forth in the Application.

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CERTIFICATE OF SERVICE

I hereby certify that on this 14th day of January 2003, I served copy of the foregoing document by first class United States mail, postage prepaid, to all parties listed on the official service list compiled by the Secretary in this proceeding.

/s/ Carrie L. McGuire
Carrie L. McGuire

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